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TAGS: [ECON](#) [EFIN](#) [IZ](#) [PGOV](#) [PREL](#)
SUBJECT: DPM SHAWAYS ON ECONOMIC ISSUES, SFA, AND DFI

REF: A. BAGHDAD 177
[1](#)B. BAGHDAD 157

Classified By: Assistant Chief of Mission for Assistance Transition Patricia Haslach for reasons 1.4 (b) and (d)

[1](#)1. (C) Summary: New Deputy Prime Minister Rowsch Shaways told Assistant Chief of Mission for Assistance Transition (ACMAT) Haslach on January 27 that he favored free market; wants to re-energize the Strategic Framework Agreement, Economic and Energy Joint Coordination Committee (JCC); and believes passage of hydrocarbons and revenue sharing legislation may have to await a larger political agreement between Baghdad and the KRG. Shaways also stated that he will oversee Iraq's efforts to develop a successor mechanism to the Development Fund for Iraq. End Summary

[1](#)2. (C) ACMAT Haslach and Econcouns called on newly installed Deputy Prime Minister Rowsch Shaways on January 27 to discuss a range of economic issues, including WTO accession, the SFA Economic and Energy JCC Committee, and hydrocarbons legislation. Shaways - who replaces former DPM Barham Salih - is himself a former DPM (2005-06) and a close confidant of KRG President Barzani

Trade Concerns/ WTO

[1](#)3. (C) Haslach highlighted our concern with indications that GOI officials may be pursuing more restrictive, inward thinking economic and trade policies (ref A). She told Shaways that Acting Trade Minister al-Safi has apparently decided not to submit the GOI's completed goods offer to the World Trade Organization in Geneva - the next step in Iraq's accession process. Haslach stated that joining the WTO would be in Iraq's long term interest and that, in any event, the accession process would take years to complete. She noted that the USG is considering whether it should continue its technical support to the Trade Ministry regarding the WTO accession given al-Safi's decision. Haslach also stated that recent comments by Dr. Sami al-Araji - the chairman of the National Investment Commission - reflected a more protectionist outlook in line with al-Safi's views. Shaways took on board our concerns, but did not seem aware of the WTO issue. He commented that the Acting Trade Minister was "not easy to deal with." Shaways stated that the natural reaction of many senior GOI officials was to embrace economic centralism and the idea that government should control everything. He said it was important to be vigilant and to rely on free markets to promote economic growth - much as the KRG does. Shaways added that while he wants to support Iraqi products, he also wants to cooperate with the USG and find the right decision on free markets.

SFA

[1](#)4. (C) Shaways stated that he is now the Iraqi co-chair of

the SFA Economic and Energy Cooperation JCC and would like to re-energize the JCC,s work since the departure of Barham Salih last summer. Shaways said there might be a natural fit between his JCC and the Services and Information Technology JCC co-chaired by DPM Rafi al-Issawi. He suggested convening both JCC,s together as a way to push their various sub-working group agendas. Shaways said he would talk to al-Issawi about this idea and then confer with ACMAT. (Note: ACMAT Haslach is the U.S. co-chair of both JCC,s. End note)

15. (C) ACMAT took the opportunity to highlight the February 7-8 visit of AUSTR Michael Delaney, who will be co-chairing the SFA Trade and Investment Working Group with Dr. Sami al-Araji (from the National Investment Commission). Haslach said the WG agenda would focus on issues such as WTO accession, GSP and labor concerns, and visas for businesspersons and the expected influx of foreign oil sector workers. Shaways indicated that he would try to ensure that senior GOI officials attended the Trade and Investment WG. He also expressed a particular interest in the visa issue, taking notes on the need to streamline the application and approval processes and to encourage cooperation between the Ministry of Foreign Affairs and the Ministry of Interior.

Hydrocarbons

(C) Shaways - who has a longstanding interest in resolving hydrocarbons issues between Baghdad and Erbil - said hydrocarbons and revenue sharing legislation might have to await a broader political settlement between the central government and the KRG. He said "small steps" - such as the recent KRG publishing of two previously secret oil contracts (ref B) - are helpful, but larger confidence building measures would be necessary. In this regard, he noted the GOI, Peshmerga, and USF-I cooperation in the DIBs.

Development Fund for Iraq

(C) As the meeting was winding down, Shaways volunteered that he was the lead official in charge of a GOI inter-ministerial committee to find a replacement for the Development Fund for Iraq. He said it was important that Iraq,s revenues continue to be protected after the end of the year when the current immunities and protections expire. Shaways said the Foreign Affairs, Finance, and Oil Ministries - along with the Central Bank of Iraq - would play important roles under his leadership in resolving this issue. Shaways appeared well briefed on DFI issues, including the UNSCR 1905 deadline of April 1 for a GOI action plan and timeline for a post-DFI mechanism. He also agreed with ACMAT and Econcouns that the outstanding Oil for Food Contracts - 13 out of 69 involving Russian firms - needed to be resolved to help clear the way for any successor mechanism. Shaways said he would like to chair a DFI meeting between senior U.S. Embassy and GOI officials - perhaps including ministers. ACMAT expressed support for the meeting and promised to follow up with Shaways in the coming days. (Septels detail recent discussions at the MFA regarding Development Fund for Iraq successor planning.

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